SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors **AGENDA NO. V-B**

FROM: Steve Mack, General Manager

Meeting Date: February 2, 2012

SUBJECT: ACTUAL VS. BUDGETED (OPERATIONS AND CAPITAL) REPORT THRU DECEMBER 31, 2011 (50%)

RECOMMENDED ACTION:
(Discussion item only.)

FISCAL IMPACT:
(None.)

DISCUSSION:

This report presents the 2nd quarter actual revenues and expenses. This comprises 50% of the year by time and so we compare the revenues and expenses to that standard.

Operating Budget:

2Q Revenue is greater than 50% of budgeted amount.

Water Sales, the largest revenue line item, came in slightly ahead of the 50% schedule. This is expected, as seasonal fluctuations typically render first and second quarter water sales higher than other quarters due to higher sales for outside watering and greater visitor activity during the warmer weather.

This half-year report allows a preliminary analysis of the effect of the 3% rate increase on water sales revenues. Water sales deposits for this half year is $949,077 while last year for the same time period the water sales deposits was $946,510. This is an increase in revenue of 0.2%. Comparing these periods (mid-years in both fiscal years), the District sold 6.6% less water. Using a rough model that the District gets 65% of its water sales deposits revenue from the Base Charge which is fixed and 35% from the Water Use Charge which is based on water sales, the 6.6% reduction in water sales should produce water sales revenue of approximately $951,000. This is very close to actual and can be explained by normal variances in water bills getting paid on time, among other factors.

2Q Expenditures are lower than budgeted due to line item budgeted for Retirement Unfunded Liability Payoff.

2Q expenditures are lower than budgeted (43.5%). However, this is mostly because $243,000 was budgeted for FY 11-12 to pay off unfunded retirement liability. This buyback actually occurred at the end of FY 2010-11. But for this large extraordinary expense, 2Q expenses were right on target at about 50% of budgeted.

There were no cash revenues or expenses in the 2nd quarter worthy of special note except for legal expenses, which are running overbudget on a monthly basis. Having said that, the District has not yet been billed for expenses related to the Plastiras claim estimated at $10,000, and also must address unanticipated replacement of the SCADA server in the 3rd quarter at an estimated cost of $6,000 and replacement of one of the site SCADA radios at an estimated cost of $5,000.

For more detail on all the budget line items, please refer to the attached Actual vs. Budgeted breakdown provided with your packet.

Capital Budget:

The 2Q Capital Budget (Table 2) shows the typical mid-year picture: Flat Charge revenue coming in, large Capital Program revenues and expenditures, and debt payments. All of these are occurring as expected. The Capital Budget may look out of balance but that is largely because the total cost of the 2013 CIP is included in the FY 2012 Budget but most of the expense won't occur until FY 2013.

Revenue from the annual assessment, Capital Debt Reduction Charge (CDRC) and transfers to in-house construction won't be happening until later in the fiscal year. The 2012 CIP is completed and most of the expenses are shown in this report; there will be some expenditures and revenues occurring in the third quarter. There are no costs for design of the 2013 CIP in this report; those should be starting in the 3rd quarter; the construction costs for the 2013 project will likely not be showing up until the 2013 fiscal year.

FUNDS AT THE COUNTY AND AT REDWOOD CREDIT UNION

Table 3. Fund and Loan Balances show a comparison of the budgeted and 2nd Quarter balances. Also attached is the County Fund Balances for the 2nd Quarter.

It is difficult to make much of the comparisons in Table 3 because this is just the 2nd quarter of the fiscal year. There are many expenses not incurred or paid and many revenues not received. The Budgeted CIRF shows the encumbrance for the 2013 CIP but those funds will largely not be expended until FY 2013. Also

affecting the difference between Actual CIRF and Budgeted is the error in the FY11 Projected CIRF that has been discussed at earlier Board meetings and is recognized in the Mid-Year Revised Budget which is the following agenda item.

Sweetwater Springs Water District
FY 2011-12 Operating Budget Variances as of December 31, 2011 (50%)

Note: Document is cumulative. Changes to text made from previous reports are *'d in the "Changed" column and underlined.

	FY 2011-12 Actual	2011-12 Budget	$ Over Budget for the Year	% of Budget	Notes (Underlined notes reflect changes since last report)	*=Ch ged
Ordinary Income/Expense						
Income						
OPERATING REVENUE						
4031 · Water Sales						
4031.1. 2· Capital Debt Reduction Charge	118,312	216,000	-97,688	54.77%		
4031.1 · Daily Water Sales Deposits	949,077	1,814,250	-865,173	52.31%		
Total 4031 · Water Sales	1,067,389	2,030,250	-962,861	52.57%	This is a cash water sales figure.	
Total OPERATING REVENUE	1,067,389	2,030,250	-962,861	52.57%		
NON-OPERATING REVENUE						
4445 · Grant Proceeds			0	0.0%		
1700 · Interest	19,670	35,000	-15,330	56.2%	Reflects interest earnings thru 2Q	*
3600 · Construction New Services	200	5,000	-4,800	4.0%		
3601 · Construction - Service Upgrades	693	2,000	-1,307	34.67%		
4032 · Rent	41,333	65,000	-23,667	63.59%		
4227 · SCWA reimbursement		12,500	-12,500	0.0%		
4040 · Miscellaneous Income	1,714	2,200	-486	77.91%		
Total NON-OPERATING REVENUE	63,610	121,700	-58,090	52.27%		
Total Income	1,130,999	2,151,950	-1,020,951	52.56%		
Expense						
OPERATING EXPENSES						
SALARY & BENEFITS						
Salary						
5910 · Wages	360,514	735,285	-374,771	49.03%		
5912 · Overtime	12,479	29,848	-17,369	41.81%	In the 1Q, a weekend blowout on newly installed pipe on Rio Vista Terrace resulted in app. $1,500 of overtime	
5916 · On-Call Pay	13,180	33,090	-19,910	39.83%		
5918 · Extra help - Contract	18,284	37,100	-18,816	49.28%		
Total Salary	404,456	835,323	-430,867	48.42%		
Benefits						
5500 · Flex Spending (Flex spending monies pc	-3,669		-3,669	100.0%		
5920 · Retirement	56,231	112,000	-55,769	50.21%		
5920.1 · Ret: Prior Svce Side Fund payoff		243,000	-243,000	0.0%	Budgeted for FY 2011-12, but paid in FY 2010-11 due to PERS' due dates. This will be part of the Budget revision later this year.	
5922 · Payroll Taxes - Employer Paid	5,566	14,200	-8,634	39.2%		
5930 · Health/Dental/Vision/AFLAC Ins.	59,183	125,900	-66,717	47.01%		
5931 · Retiree Health	1,296	2,800	-1,504	46.29%		
5940 · Workers Comp Insurance	19,133	25,300	-6,167	75.63%	Includes 1st, 2nd, and 3rd quarter premiums	*
Total Benefits	137,740	523,200	-385,460	26.33%		
Total SALARY & BENEFITS	542,196	1,358,523	-816,327	39.91%		
SERVICES & SUPPLIES						
Communications						
6040-I · Internet service	767	1,800	-1,033	42.6%		
6040-C · Cell Phones	1,475	3,450	-1,975	42.74%		
6040-P · Pagers & Radios	862	850	12	101.39%		
6040-S · SCADA software maint.	469	500	-31	93.83%	In the 1Q, SCADA sofware renewed for the year	
6040-T · Telephones	7,430	14,400	-6,970	51.6%		
Total Communications	11,002	21,000	-9,998	52.39%		

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Insurances						
6101 · Gen. Liability	26,620	32,500	-5,880	81.91%		
6102 · Auto/Equipment	7,635	8,400	-765	90.89%		
Total Insurances	34,254	40,900	-6,646	83.75%		
Maint/Rep - Office & Vehicles						
6140 · Vehicle Maintenance	8,180	12,000	-3,820	68.17%		
6151 · Office Maintenance	3,234	5,000	-1,766	64.68%	In the 1Q, annual service contract for automated calling service was renewed	
Total Maint/Rep - Office & Vehicles	11,414	17,000	-5,586	67.14%		
Maint/Repair - Facilities						
6085 · Janitorial Services	3,969	7,100	-3,131	55.91%		
6180 · Distribution System Repairs	19,725	42,000	-22,275	46.96%		
6235 · Treatment Sys/Well Repairs	9,433	34,000	-24,567	27.74%		
6143 · Generator Maintenance	2,816	2,500	316	112.65%	1Q expense includes bi-annual generator maintenance	
Total Maint/Repair - Facilities	35,943	85,600	-49,657	41.99%		
Miscellaneous Expenses						
6280 · Memberships	4,438	8,000	-3,562	55.48%		
6303 · Claims	100	1,500	-1,400	6.67%		
6593 · Governmental Fees	13,220	18,500	-5,280	71.46%	1Q expense includes water system fees, paid twice yearly, and annual LAFCO costs.	
Total Miscellaneous Expenses	17,758	28,000	-10,242	63.42%		
Office Expense						
6410 · Postage	9,430	15,500	-6,070	60.84%	1Q postage included $3000 of postage paid on 7/2/2011 (last year's postage)	
6430 · Printing Expense	2,373	7,200	-4,827	32.95%	Bills and envelopes are purchased in yearly quantities.	
6461 · Office Supplies	2,121	5,000	-2,879	42.43%		
6800 · Subscriptions/Legal Notices	726	1,000	-274	72.59%		
6890 · Computers/Software	2,119	4,600	-2,481	46.07%	In the 1Q, 3 (budgeted) computers were purchased	
6579 · Furniture	0	500	-500	0.0%		
Total Office Expense	16,769	33,800	-17,031	49.61%		
Operating Supplies						
6300 · Chemicals	15,272	17,000	-1,728	89.83%	In the 1Q, chemicals were largely purchased in yearly quantities	
6880 · Tools and Equipment	821	5,000	-4,179	16.42%		
6881 · Safety Equipment	983	1,500	-517	65.54%		
Total Operating Supplies	17,076	23,500	-6,424	72.66%		
Professional Services						
6083 · Laundry Service	1,565	3,000	-1,435	52.16%		
6514 · Lab/Testing Fees	4,587	13,000	-8,413	35.29%		
6570 · Consultant Fees	1,180	4,300	-3,120	27.44%		
6590 · Engineering	175	8,000	-7,826	2.18%		
6610 · Legal	11,782	15,000	-3,218	78.55%	In the 1Q, legal expenses were overbudget	
6630 · Audit/Accounting	15,667	24,300	-8,633	64.48%	1Q expenses include a $4,500 payment for annual audit services	

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Total Professional Services	34,956	67,600	-32,644	51.71%		
Rents & Leases						
6820 · Equipment	672	2,000	-1,328	33.59%		
6840 · Building & Warehouse	15,750	27,000	-11,250	58.33%	In 1Q, paid thru October	
Total Rents & Leases	16,422	29,000	-12,578	56.63%		
Transportation & Travel						
7120 · Seminars & related travel	896	4,000	-3,104	22.41%		
7201 · Vehicle Gas	12,781	24,000	-11,219	53.26%		
7300 · Travel Reimbursements	2,986	6,400	-3,414	46.66%		
Total Transportation & Travel	16,664	34,400	-17,736	48.44%		
Uniforms						
6021.1 · Boots		1,330	-1,330	0.0%		
6021.3 · T-shirts	1,021	1,200	-179	85.11%	T-shirts are purchased once yearly	
6021.4 · Jackets	173	360	-187	48.0%	Hats purchased in 1Q	
Total Uniforms	1,194	2,890	-1,696	41.32%		
Utilities						
7320 · Electricity	49,911	103,000	-53,089	48.46%	-	
7321 · Propane	364	3,700	-3,336	9.83%		
Total Utilities	50,275	106,700	-56,425	47.12%		
Total SERVICES & SUPPLIES	263,727	490,390	-226,663	53.78%		
Total OPERATING EXPENSES	805,924	1,848,913	-1,042,989	43.59%		
FIXED ASSET EXPENDITURES						
8511.1 · Tank/Facilities Sites	0	3,500	-3,500	0.0%		
8517 · Field/office equipment		0	0	0.0%		
8573 · Vehicles		0	0	0.0%		
Total FIXED ASSET EXPENDITURES	0	3,500	-3,500	0.0%		
Total Expense	805,924	1,852,413	-1,046,489	43.51%		
Net Ordinary Income	325,075	299,537	25,538	108.53%		
Other Income/Expense						
Other Expense						
TRANSFERS TO OTHER FUNDS						
8620.7 · Tfers to CIRF for CDR Revenue	0	216,000	-216,000	0.0%		
8620.3 · Tfers to CIRF	0	40,000	-40,000	0.0%		
8620.5 · Tfers to Building Fund	0	15,000	-15,000	0.0%		
8620.2 · Tfers to In-House Constr	0	25,000	-25,000	0.0%		
Total TRANSFERS TO OTHER FUNDS	0	296,000	-296,000	0.0%		

Table 3. FUND AND LOAN BALANCES (1Q)		FY 11-12 Actual 2Q	11-12 Budget	Difference Actual-FY12	Comments
DISTRICT RESERVES AND FUND AND LOAN BALANCES					
District Policy Reserves					
	Operating Balance	200,000	200,000	-	
	Budget Reserve (10% of Operating Exp)	184,891	184,891	-	
	Economic Reserve (15% of Operating Exp)	277,337	277,337	-	
	Debt Repayment Reserve (25% of Debt pmt)	272,829	272,829	-	
	Capital Reserve	250,000	250,000	-	
Total District Policy		1,185,056	1,185,056	-	
TOTAL Reserves EOY		4,308,959	2,345,888	1,963,071	
Reserves Above (below) Policy		3,123,903	1,160,832	1,963,071	Difference between Total and Policy Reserves
DISTRICT FUNDS					
	CIRF	2,634,690	786,476	1,848,214	FY 12 Budget reflects 2013 CIP encumbrance and error in FY11 Projected
	OPERATING RESERVE	396,970	462,228	(65,258)	
	OPERATIONS	424,057	200,000	224,057	
	CD	648,492	663,577	(15,085)	
	IN HOUSE CONSTRUCTION	98,900	102,757	(3,857)	
	BUILDING	105,850	130,850	(25,000)	
Total Funds Available		4,308,959	2,345,888	1,963,071	